

Salem Report

By Brad Witt



Recently budget and revenue leaders in the Oregon House released a bold proposal to invest in Oregon's education system, called the Education Investment Initiative, and it is based on the tax reform framework presented to the Joint Tax Reform Committee. Oregon is facing a \$1.6 billion deficit for the 2017-19 biennium, which has forced this discussion. It's important to understand why there is a need for tax reform and why it focuses on the role of corporate taxation in Oregon.

Underlying the current deficit is a long-term, structural imbalance caused by choices both legislators and voters have made over many years, including property tax reduction, pension obligations, mandatory prison sentences, and declining corporate tax revenue. A major turning point was approval of Ballot Measure 5 in 1990, which shifted the responsibility for funding K-12 schools from local property taxes to the state general fund. As a result, the income tax became the primary funding source for education, human services and public safety.

In keeping with the Joint Tax Reform Committee framework, the restructure would scrap Oregon's corporate income tax system and replace it with a new Commercial Activity Tax of 0.95% on business sales in the state. This rate would only apply to companies with more than \$5 million in Oregon sales; those with less than that would pay a flat \$250. So why do we need to focus attention on the corporate side of the equation? Here are a few reasons why the restructure must move in this direction:

- 87% of the state general fund comes from personal income taxes, while corporations only pay about 5%, down from 18% in the mid-70s.
- Each year, fewer Oregon businesses pay taxes. For instance, we have seen a decline in C Corps from 35,500 in 1990 to about 30,000 today.
- A comprehensive analysis shows businesses pay the lowest state and local taxes in the nation.

Another work group has been meeting for more than two months to also address the cost containment side of the equation. There will be \$400-600 million in targeted cuts in state expenditures. There will also be \$200 million in tax relief for low and middle income

households. Taken together, this reform package will raise more than \$2 billion, and a minimum of 75% of those new funds would be dedicated to education.

Without bold action, Oregon is facing years of painful cuts. The Education Investment Initiative will allow us to make strategic new investments in our schools and support a strong equitable economy for everyone. It will dedicate billions to our schools, fulfilling the promises we've made to the next generation. By investing in schools, we will finally provide young Oregonians with the education they and their future employers need to be successful. The Initiative will add weeks to the school year, reduce class sizes, and allow districts to restore vocational and technical training that is so important to keeping students in school. I feel that this package begins the discussion that will put our state on a path to fiscal stability for the first time in decades.

Most of you know about the increase in redemption fees on certain cans and bottles purchased in Oregon, an increase from 5 cents to 10 cents per item. For those of us who regularly attempt to return our cans and bottles to the local grocery, we all know how frustrating this can be, with long wait times, less than clean facilities and angry yellow jackets during warm weather. BottleDrop Centers, while much cleaner and easier to use, have so far been just too far away to make sense for most people in my district. The move from 5 to 10 cents has only exacerbated these problems. Well, I am excited to tell you that things will soon be looking up in Columbia County!

The Oregon BottleDrop Redemption Center (OBRC), a member-owned cooperative that acts on behalf of beverage distributors, plans to open 45 BottleDrop Centers statewide, and they have identified four sites in Columbia County as some of their very first locations. They are Clatskanie, St. Helens and Scappoose. Called BottleDrop Express, the first one will be located at the St. Helens Safeway store, and they hope to have it up and running by the end of June. There will also be one at the IGA in St. Helens, the Clatskanie Safeway and the Scappoose Fred Meyer and these should be operating by the end of August.

Even more impressive is the fact that you can bundle up your containers and someone else will count them and then credit you with the refund. Custom-

ers will sign up for BottleDrop accounts at an in-store kiosk, buy green BottleDrop bags inside the store (15 cents), and drop bags full of containers into a drop box where staff will count them and credit your account with a refund within 5 business days. OBRC will also clean up and remodel the return areas as needed so that the entire experience will be much more user friendly. Here is the OBRC website, <https://www.bottledropcenters.com/>.

Housing has certainly become a focal point for Oregonians in the last couple of years, and it hasn't just been in the urban areas. The small towns in my district have also seen vacancy rates plunge. Most cities, both large and small, have started to adjust their ordinances to allow for "accessory dwelling units," or ADUs. Although this increases density, it also allows some creativity so that family members can share space, or people can rent out a "tiny home" in their back yard.

Recently we passed HB 3012A that will also allow counties to permit an ADU to be sited outside of the urban growth boundary, if there is the presence of an historic home, defined as one built between 1850 and 1945. In this event, the process works backwards: The historic home becomes the ADU and the owner may build a new home. The measure prohibits the subdivision of the lot or parcel, which must be at least two acres in size, and it limits modifications to the ADU. The bill is not intended to circumvent land use laws, but rather it is a creative way to provide additional housing in rural areas.

Another bill of interest is HB 2162A, which requires a contractor, who is awarded a state public improvement contract worth at least \$5 million, to employ apprentices to perform 10% of the work hours that those occupations perform. Apprenticeship programs are typically 2-5 years long, and they are a natural segue for high school graduates interested in technical and/or mechanical careers who need to earn a living as they learn a trade. In the face of an aging workforce, this bill should help fill the growing need for well trained, educated workers.

HB 3158A authorizes the Oregon Fish and Wildlife Commission to implement a program to encourage persons to report violations of wildlife laws by offering preference points toward future hunting tags or cash rewards for



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information leading to citations or arrest for unlawful take, possession or waste of wildlife species. Since 2012, there have been an average of 764 incidents of poaching, mostly for deer and elk, but also big horn sheep and antelope. In many instances, these animals were killed and left for waste. The bill passed unanimously and is now over in the Senate.

Finally, the Senate passed a bill that gives Oregonians a means to protect their personal privacy when it comes to vehicle registration and insurance documents that they commonly carry in their vehicles. SB 930 allows the registered owner to black out or obscure the residence address, business address or mailing address shown on these documents. Thieves breaking into cars, stealing the information and even the garage door opener, then breaking into the driver's home, led the DMV to permit this alteration. The bill is now in the Transportation Committee on which I sit, where I expect it will be well received.

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